

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 174 - SB 251

March 29, 2019

SUMMARY OF ORIGINAL BILL: Transfers the Fire Investigations Section of the Fire Prevention Division from the Department of Commerce and Insurance to the Tennessee Bureau of Investigation by January 1, 2020.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Expenditures – \$217,200/FY19-20/Fire Prevention Fund
\$434,400/FY20-21 and Subsequent Years/
Fire Prevention Fund

Increase Federal Expenditures – \$7,600/FY19-20
\$15,200/FY20-21 and Subsequent Years

Other Fiscal Impact – The total additional lump sum pension liability to the Tennessee Consolidated Retirement System is estimated to be \$466,000.

IMPACT TO COMMERCE OF ORIGINAL BILL:

NOT SIGNIFICANT

SUMMARY OF AMENDMENT (005474): Deletes and replaces all language after the enacting clause such that the substantive changes are to: (1) require the TBI to electronically transmit a summary stating the cause, origin, and circumstances of each fire investigation to the state fire marshal and to the local fire department in the jurisdiction where the fire occurred; (2) add to the definition of “relevant” to include information that suggests future behavior tendencies of a person of interest, including a propensity for violence, that may assist an insurance company in determining a fact or motive of a person of interest, or both; and (3) specify that an authorized agency is authorized to withhold information deemed sensitive to a non-arson criminal investigation with the approval of the supervising agent and the TBI is authorized to withhold any investigative document that the Bureau believes would compromise the integrity of a criminal investigation.

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FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Unchanged from the original fiscal note.

Assumptions for the bill as amended:

- Current law, Tenn. Code Ann. § 68-102-101, delegates the duty of the suppression of arson and the investigation of the cause, origin, and circumstances of fires to the Commissioner of the Department of Commerce and Insurance.
- These duties are currently accomplished by fire investigators in the Fire Investigation Section (FIS) of the Fire Prevention Division within the Department of Commerce and Insurance (DCI).
- The FIS required \$3,074,200 in expenditures for FY17-18. The section's expenditures come from the Fire Prevention Fund (FPF). Tenn. Code Ann. § 68-102-142 establishes a charge against fire insurance companies doing business in Tennessee. At the time the companies pay other taxes owed in Tennessee, the companies must pay 0.75 percent on the net premium receipts on all business conducted in Tennessee.
- This charge is paid directly to DCI and deposited in a separate fund, the FPF. Under current law, funds can only be used for the maintenance and expenses of the Fire Prevention Division within DCI. Any funds remaining at the end of the fiscal year are transferred to the General Fund.
- The proposed legislation authorizes payment of expenses incurred by the FIS to continue to be paid by the FPF after the transfer to Tennessee Bureau of Investigation (TBI).
- Based on information provided by the Department of Human Resources, any impact to the Department resulting from the transfer of such employees is estimated to be not significant.
- Approximately 27 personnel positions (23 fire investigators, one mechanic, and three support staff) will be transferred to the TBI along with equipment and assets. The fire investigators will become TBI agents, and they will receive an increase in salary.
- The current average salary of a fire investigator is \$46,700, and the average salary of a TBI agent with comparable experience is \$61,200. The average increase in salary for each agent is \$14,500 (\$61,200 - \$46,700). This legislation will result in a recurring increase in state expenditures estimated to be \$388,861 [(\$14,500 salary + \$2,407 benefits) x 23] to the FPF. There will not be an increase for any insurance costs as these are included in the \$3,074,200 of expenditures currently incurred by the FIS.
- Upon becoming TBI agents, the fire investigators will become a state police officer for purposes of the Tennessee Consolidated Retirement System (TCRS).
- Tennessee Code Annotated § 8-36-205 requires mandatory retirement for state police officers.
- Tennessee Code Annotated § 8-36-211 provides that state police officers who retire under the mandatory retirement provisions shall receive a supplemental bridge benefit in addition to a retirement allowance until the first day of the month following the month in

which the member reaches the age requirement for receipt of old age and survivors benefits under the federal Social Security Act.

- Further, Tenn. Code Ann. § 8-36-201 authorizes state police officers to retire with unreduced benefits at age 55 with 25 years of service.
- Based on information provided by the Tennessee Consolidated Retirement System (TCRS), the total increase of liability to the pension system relative to eligible state employees is estimated to be \$466,000.
- Based on information provided by TCRS, the recurring cost associated with transferring fire investigators is \$60,700.
- Retirement benefits for state employees are funded 75 percent with state funds and 25 percent with federal funds.
- The recurring increase in state expenditures for state employees is estimated to be \$45,525 ($\$60,700 \times 75\%$).
- The annual increase in federal expenditures associated with such state employees is estimated to be \$15,175 ($\$60,700 \times 25\%$).
- The proposed legislation requires the transfer from DCI to TBI to occur by January 1, 2020. This analysis assumes the transfer will be made on January 1, 2020. As such, this analysis assumes 50 percent of the first full year impact in FY19-20 and a 100 percent impact in FY20-21 and subsequent years.
- The total increase in federal expenditures in FY19-20 is estimated to be \$7,588 ($\$15,175 \times 50\%$).
- The recurring increase in federal expenditures in FY20-21 and subsequent fiscal years is \$15,175.
- The total increase in state expenditures to the FPF in FY19-20 is \$217,193 [$(\$388,861 + \$45,525) \times 50\%$].
- The recurring increase state expenditures to the FPF beginning in FY20-21 is estimated to be \$434,386 ($\$388,861 + \$45,525$).

IMPACT TO COMMERCE WITH PROPOSED AMENDMENT:

Unchanged from the original fiscal note.

Assumption for the bill as amended:

- Shifting state employees from DCI to TBI will not result in a significant impact on commerce or jobs in Tennessee.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The script is cursive and fluid, with the first letters of each name being capitalized and prominent.

Krista Lee Carsner, Executive Director

/amj